I would like to read into the RECORD an article on this case by Professor Lee Richardson, past president of the Consumer Federation of America and former acting director of the U.S. Office of Consumer Affairs during the Carter administration. It was published in the Wall Street Journal on May 23, and in it Professor Richardson clearly lays out the stakes in this case for ''a market that affects the financial opportunities of tens of millions of American consumers.'' I fully concur with his view that ''the Supreme Court should be willing to listen to both sides,'' and that a writ of certiorari should be granted accordingly.

[From the Wall Street Journal, May 23, 1995]

LET A THOUSAND CREDIT CARDS BLOOM

(By Lee Richardson)

''VISA—It's everywhere you want to be.''

At least that's what VISA's marketers want us to believe. But unless the Supreme Court decides to overrule a recent appellate court decision about who can and cannot offer VISA cards, America's most prominent credit card will only be everywhere VISA wants it to be, to the detriment of consumers.

VISA's presence at some 3 million merchants (and in 180 million wallets and purses) allows it to dominate the domestic credit card market. But because VISA—an association of banks—determines who and under what conditions an organization may issue its card, the company maintains a tight grip on what options are actually available to consumers.

Since 1991, VISA has barred MountainWest Financial Corp. from issuing its card, ostensibly because MountainWest is owned by Dean Witter, which also issues the rival Discover Card. That seems strange because Citicorp, one of VISA's largest members, has long offered its own competing Carte Blanche and Diners Club cards. Indeed, almost all of VISA's members also offer MasterCard, VISA's chief competitor.

Thus, facing what it viewed as baldly anticompetitive practices, in 1991 Dean Witter went to U.S. District Court in Salt Lake City. Although a jury unanimously determined that VISA was significantly inhibiting competition, the 10th Circuit Court of Appeals reversed the jury's decision last September.

Now Dean Witter has asked the Supreme Court to review the case. Should it be accepted by the court before the end of this term, the case will undoubtedly become a critical test case in antitrust law.

More important, it could potentially establish a landmark ruling for the tens of millions of American consumers who want a more competitive and less costly credit card market—a market in which American consumers' credit card debt stood at more than $280 billion early last year, outstripping their auto loan debt. Consumer credit card charges totaled $474 billion in 1993 and are projected to nearly triple to $1.2 trillion by the year 2000.

So, until the Supreme Court renders a decision, the facts of the case provide us with a window into the rigid world of the charge card giant, revealing how far VISA is willing to go to maintain the high cost of credit.

Most consumers probably wonder why VISA should want to prevent a legitimate organization from issuing its cards. After all, VISA is a relatively open organization whose 6,000 members issue the card, charge annual fees, collect payments, and charge interest. All those members compete against each other for customers. The idea that adding one more member to the VISA family would pose a threat seems illogical.

An explanation may be found on the way that Dean Witter has chosen to compete in the lucrative credit card market. It successfully shookup that market with the Discover Card in the late 1980's, and it was prepared to do so again with its VISA program in the 1990s—by offering a card with no annual fee, a generous $3,500 credit line, and an initial interest rate of just 12.9% on each new purchase. VISA's 10 largest bank card issuers at the time—who collectively controlled a majority of all bank card business—were almost uniformly charging a sizable annual fee and a 19.8% interest rate. What Dean Witter was doing, in effect, was introducing a very unwelcome spirit of price competition into a credit card organization whose members were comfortably enjoying over 70% of the volume of the entire American market for general-purpose charge cards. So it is no wonder that the prospect of a Dean Witter VISA card sent tremors through VISA.

VISA had good reason to believe that Dean Witter's lowest-cost card could prove a threat to profits. By one estimate, every 1% decline in credit card interest rates translates into roughly $1.7 billion that consumers won't have to pay. Similarly, The Wall Street Journal estimated that the elimination of credit card annual fees could reduce issuer's profits by up to 40%.

To VISA, these numbers are no theoretical accounting exercise. In 1991, when VISA learned that Dean Witter, through its MountainWest bank, intended to launch a VISA card, VISA invoked a bylaw prohibiting membership to any institution that offers other cards deemed competitive by VISA's board. It is hard to believe that VISA's suddenly invoked bylaw is anything other than a transparent maneuver intended to limit the effectiveness of Dean Witter and other aggressive new competitors.

What is really going on in the legal dispute between Dean Witter and VISA is a battle over how competitive the future market in credit cards will be. The truth is, the market is not nearly competitive enough, and most consumers know this. In the early 1990s, the U.S. Senate, in response to public outcry, passed a bill that, had it become law, would have arbitrarily capped the interest rates on credit cards.

Fortunately, there is probably a better way than heavy handed federal regulation to meet consumer demands. Today, most of the top 10 issuers of bank credit cards still charge an annual fee, and one charges interest rates of as high as 21.9% a year. Surely consumers would benefit from opening this credit card market to new and more aggressive competitors.

VISA's strategy, as Dean Witter proved at trial, is two-pronged: First, it wants to head off a major increase in the level of competition within VISA from new competitors like Dean Witter. Second, it hopes to scare off other financial institutions that might want to follow Dean Witter by introducing their own proprietary card, and thus increase competition against VISA.

The strategy is working. No new competitor has entered the market with a proprietary card since 1985. And, if the Supreme Court allows the lower court decision to stand, it will be a major setback for a more competitive and dynamic market in credit cards. Little wonder that several of the established banking associations are lining up behind VISA on this issue.

But what is at stake here is not the future well-being of the banking industry, but of a market that affects the financial opportunities of tens of millions of American consumers. The Supreme Court should be willing to listen to both sides.

STUDENT LOANS

HON. EARL F. HILLIARD

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 13, 1995

Mr. HILLIARD. Mr. Speaker, I rise today to protest yet another one of the Republican plans to kill the American Dream. I am speaking of the budget that was rammed through last week. This budget gutted the student loan program, taking away the dreams and hopes of young people everywhere who will not be able to go to college if the plan is adopted.

The budget plan is BAD. The Republicans have betrayed the future of America, for 30 pieces of silver, by getting rid of student loans and by cutting taxes for their rich friends. In order to finance this despicable debt, they have sold out the young people of America.

When I think of how hard some of these kids have worked, studying and saving to get a college education, it makes me want to cry. And it makes me mad, too.

There are some wonderful kids in Alabama who now may not ever reach their full potential. We have enticed them with dreams of a bright future, and the Republicans have made that dream a nightmare. Wake up Alabama! Wake up America!

LITTLE LEAGUE AMBASSADORS

HON. FRANK PALLONE, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 13, 1995

Mr. PALLONE. Mr. Speaker, 149 years ago, this June 19, the New York Nine played the Knickerbockers at Elysian Fields in Hoboken, planting the seeds that led to organized baseball in the United States. The rules which were established by Alexander J. Cartwright, who umpired the game, preceded the game between the Knickerbockers and New York 8 months later in Abner Doubleday's Cooperstown, NY.

America's favorite pastime has been a part of the scene in every State across the United States ever since, bringing together people of all backgrounds, races, beliefs, and economic strata in a fun-filled afternoon or evening of recreation, friendly competition, festivity, and vitality.

When Carl Stotz created the Little League in Williamsport, PA, in 1939, and encouraged baseball competition among youths between 9 and 12 years of age in the Keystone State and New Jersey, a competition that has grown to include the entire country, he did it with full knowledge that, as the Newark Evening News had said earlier, ''An American boy can no more be separated from baseball than he can from the dinner table when he's hungry.''

For many, the American pastime, baseball, is the American dream.

For 20 youths in the Sandy Hook Little League, bringing the great American pastime to the shores of the land their ancestors left, is the American dream of 1995.

The youths, accompanied by eight of their coaches, and attired in identical jackets, sweaters, and parkas depicting them as American ambassadors of friendship, will visit seven countries of Europe, beginning June 21,